Agenda Item No. 6.3
Application No. 19-007

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 20, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: **City of Los Angeles**

Allocation Amount Requested:

Tax-exempt: $4,246,179

The

Project Information:

Name: **Florence Morehouse Apartments (Supplemental)**
Project Address: 910-916 Florence Avenue and 1750 West Martin Luther King Jr. Blvd.
Project City, County, Zip Code: Los Angeles, Los Angeles, 90044 & 90062

The amount of allocation requested is supplemental to the $9,500,000 of allocation the Project received on July 20, 2016.

Project Sponsor Information:

Name: Florence Morehouse LP (CADI VII, LLC)
Principals: Brian D'Andrea, Ronald M. Griffith, Steve Colman, Karen Bennett-Green, Serybrem Bass, Alan Hoffman and Beulah Ku
Property Management Company: John Stewart Company/Levine Management Company

Project Financing Information:

Bond Counsel: Kutak Rock LLP
Private Placement Purchaser: Wells Fargo Bank, N.A. (constr. Only)
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: December 13, 2018
TEFRA Adoption Date: February 6, 2019

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 61
Manager's Units: 2 Unrestricted
Type: Acquisition & Rehabilitation
Population Served: Family

Florence Morehouse Project is an existing scattered-site project located in Los Angeles. Florence Avenue Villas (Site 1) consists of 19 restricted rental units and 1 unrestricted manager unit; and Morehouse Apartments (Site 2) consists of 40 restricted units and 1 unrestricted manager unit. The project has a total of 7 one-bedroom units, 31 two-bedroom units, 21 three-bedroom units and 2 four-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of upgrades to roofs, mechanical and HVAC equipment, gas boilers, replacement of windows, fresh paint and deck refinishments. Individual apartment units will be updated as needed with a new appliance package, flooring and fresh paint (in kitchens and bathrooms). Lastly, common or site area renovations will consist of site furnishing and a new low water landscaping (which includes installation of low flow plumbing fixtures). The rehabilitation is expected to begin in April 2019 and be completed in March 2021.

Agenda Item No. 6.3
Application No. 19-007

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

64% (38 units) restricted to 50% or less of area median income households.
36% (21 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2, 3 & 4 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$	6,268,669	
Estimated Hard Costs per Unit:	$	34,720	($2,117,900 /61 units including mgr. units)
Estimated per Unit Cost:	$	102,765	($6,268,669 /61 units including mgr. units)
Allocation per Unit:	$	69,609	($4,246,179 /61 units including mgr. units)
Allocation per Restricted Rental Unit:	$	71,969	($4,246,179 /59 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 4,246,179	$ 0
LIH Tax Credit Equity	$ 0	$ 3,293,856
Deferred Developer Fee	$ 522,554	$ 337,750
Deferred Costs	$ 793,936	$ 0
Accrued Interest During Rehab	$ 116,000	$ 32,400
AHP Funds	$ 590,000	$ 590,000
HCIDLA Loan	$ 0	$ 2,014,663
Total Sources	$ 6,268,669	$ 6,268,669

Uses of Funds:	
Rehabilitation	$ 2,304,918
Relocation	$ 815,000
Contractor Overhead & Profit	$ 254,042
Architectural Fees	$ 115,000
Construction Interest and Fees	$ 1,004,430
Permanent Financing	$ 77,407
Legal Fees	$ 55,000
Hard Cost Contingency	$ 255,904
Other Project Costs (Soft Costs, Marketing, etc.)	$ 70,478
Developer Costs	$ 1,316,490
Total Uses	$ 6,268,669

Analyst Comments:

The supplemental bond allocation is requested due to construction costs increases. The Project's original construction/rehabilitation scope included the required mobility changes to specified units, which have been completed. However, a further assessment of the Project for compliance with the Fair Housing Accessibility guidelines and other regulations resulted in the need for additional and a more substantial rehabilitation. In response to this, HCIDLA has committed an additional $2,016,000 to the Project, along with other sources including AHP, LIHTC equity, and deferred developer fee. It is expected that the supplemental bond will help ensure completion of the Project in late 2019.

Legal Questionnaire:

The Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Recommendation:

Staff recommends that the Committee approves $4,246,179 in tax-exempt bond allocation.

Agenda Item No. 5.13
Application No. 16-394

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: **City of Los Angeles**

Allocation Amount Requested:

Tax-exempt: $9,500,000

Project Information:

Name: **Florence Morehouse Apartments**
Project Address: Florence: 910-916 Florence Avenue, Los Angeles CA 90044; Morehouse: 1750 W Martin Luther King Jr. Blvd., Los Angeles, CA 90062
Project City, County, Zip Code: Los Angeles, Los Angeles, 90044

Project Sponsor Information:

Name: Florence Morehouse LP (CADI VII, LLC)
Principals: Brian D'Andrea, Ronald M. Griffith, Steve Colman, Karen Bennett-Green, Serybrem Bass, Alan Hoffman and Beulah Ku
Property Management Company: John Stewart Company/Levine Management Company

Project Financing Information:

Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Noticing Date: March 7, 2016
TEFRA Adoption Date: April 19, 2016

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 59, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is a scattered site project consisting of two sites. One site is the Florence Avenue Villas a 20-unit development originally developed as a 9% tax credit project in 1994. It is a three (3) story Type V building over a one (1) story Type I concrete podium garage. The other site is the Morehouse Apartments, a 41 unit project also originally developed as a 9% tax credit project in 1996. It is a three (3) story Type V building over a one (1) story Type I concrete podium garage. The scope of work is contemplated to consist of upgrading major building systems to meet latest sustainability standards, including the roofs, mechanical and HVAC equipment, and gas boilers. All windows will be replaced with a dual pane low-e type system. Each building will have its exterior re-painted and its decks refinished. Common areas will be upgraded with new attractive landscaping and site furnishings. The units will be remodeled on an as-needed basis with most units receiving new energy star appliances, flooring (in kitchens and baths), and fresh paint (in kitchens and baths). The project commits to improving the baseline energy performance of the combined scattered site development by more than 10% by incorporating the following sustainability features: Low water landscaping package which requires low maintenance, Energy Star appliances, Window replacement, Installation of certain low flow plumbing fixtures, Installation of higher efficiency HVAC heat pumps and Boiler replacement (as needed) with higher efficiency hot water heating system.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

64% (38 units) restricted to 50% or less of area median income households.

36% (21 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2, 3 & 4 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$	15,256,913	
Estimated Hard Costs per Unit:	$	31,334	($1,848,735 /59 units)
Estimated per Unit Cost:	$	258,592	($15,256,913 /59 units)
Allocation per Unit:	$	161,017	($9,500,000 /59 units)
Allocation per Restricted Rental Unit:	$	161,017	($9,500,000 /59 restricted units)

Sources of Funds:	Construction		Permanent	
Tax-Exempt Bond Proceeds	$	9,500,000	$	999,600
HCIDLA Loan	$	970,796	$	2,312,358
Century Housing	$	802,433	$	824,500
Neighborhood Stabilization Program	$	759,758	$	759,758
LIH Tax Credit Equity	$	763,993	$	5,255,965
Accrued Interest	$	1,422,629	$	59,000
GP Equity	$	100	$	100
Deferred Developer Fee	$	105,132	$	105,132
Deferred Costs	$	931,972	$	0
Seller Carryback Loan	$	0	$	4,940,400
Total Sources	$	15,256,813	$	15,256,813

Uses of Funds:		
Land Cost/Acquisition	$	8,877,016
Rehabilitation	$	2,078,166
Relocation	$	90,000
Contractor Overhead	$	86,274
Architectural Fees	$	300,000
Survey and Engineering	$	45,000
Construction Interest and Fees	$	569,965
Permanent Financing	$	60,000
Legal Fees	$	221,201
Reserves	$	416,112
Appraisal	$	10,000
Contingency Cost	$	322,134
Other Project Costs (Soft Costs, Marketing, etc.)	$	444,385
Developer Costs	$	1,736,560
Total Uses	$	15,256,813

Agenda Item No. 5.13
Application No. 16-394

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. for both construction and permanent financing. During the construction financing phase the loan term will be for 12 months with a fixed interest rate of 3.68% . During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years at a fixed rate of 5.64%. The bonds will be issued by the City of Los Angeles.

Analyst Comments:

None

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points: 65.1 out of 140

[See Attachment A**]**

Recommendation:

Staff recommends that the Committee approve $9,500,000 in tax exempt bond allocation on a carryforward basis.

Agenda Item No. 5.13
Application No. 16-394

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	3.4
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	6.7
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	0
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	**140**	**120**	**65.1**

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.